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THE BASIS OF THE DEMAND FOR PUBLIC
REGULATION OF INDUSTRIES.

In the industrial operations of modern society no tendency is more observable—none, it may be said, has advanced so far—as that towards specialization of function. The result has been that the needs of civilized life have been far more perfectly met and supplied than would otherwise have been possible. This separation of functions is, in fact, a manifestation of a general law of social evolution. It is the imperative requirement, and the necessary condition of advanced human society. Hand in hand, step by step with advancing civilization, the division of labor—differentiation of function—has proceeded, furnishing at once the most striking phenomenon of industrial progress, and the most powerful aid to its further achievements.

And yet, incalculable as have been the benefits to mankind hence resulting, impossible as human advancement would have been under other conditions, and undeniable as has

been the improvement in the conditions of the masses of society as compared with former times, it cannot escape observation that what constitutes the strength and progressive power of society, as a whole, constitutes also, in a sense, the weakness of the individual, and often involves unfortunate disparity between man and man. Different industrial classes have arisen, and the dependence of class upon class has increased almost beyond conception ; but the reciprocity of dependence between individuals of different classes has in many cases been well-nigh destroyed.

Under social conditions which would now be called primitive, but which, nevertheless, supply all the necessities and many of the enjoyments of life, the circle of dependencies, if the expression may be used, is often very limited. For illustrations of this fact it is not necessary to revert to a remote past, or to an early and primitive period of civilized life. In many of our older states may be found, to-day, communities remote from contact with the throbbing energies and insatiable aspirations of modern progress, isolated by physical barriers from the great world beyond them, living for the most part in simple independence of the rest of mankind. In such communities specialization has made but little progress. The tastes of the people are simple and their wants are few. The soil, rudely cultivated with antiquated implements, yields a sufficiency of vegetable food for man and beast. The product of the chase and the tribute of the stream supplement the scanty stock of domestic animal food. The neighboring forest, yielding to the blows of the axe—no other implement is needed—furnishes the logs and the rudely riven boards for the construction of the dwelling. A patch of cotton or of flax and half a dozen sheep to each family yield the raw material which hand-cards, spinning-wheels, and ancestral hand-looms convert into ample clothing for the people. Usually, with the occasional aid of a neighbor, each household can perform, within and for itself, most of the simple functions which are necessary for the maintenance of such a life as is here described.

Every man is his own farmer, herdsman, huntsman, clothier, builder. Such food, shelter and raiment as he has are the product of his own, almost unaided, exertions. The functions of such a society are but slightly differentiated. Such interdependencies as exist, exist directly between man and man. Each individual clearly perceives his own equal dependence upon, or independence of, other individuals. The industrial equilibrium is maintained by forces operating directly between individuals, and class distinctions are almost unknown. Among the most striking characteristics of such a community are the social equality of its members and the comparatively equal distribution of its wealth.

And this condition of industrial independence contains within itself elements of contentment, of individual happiness, and of good citizenship, which, in the march of progress and the advance of civilization, have vanished away. Strikes and lock-outs, labor organizations and trusts, those inevitable and unhappy concomitants of progress, have no place in a simple society. The very sense of industrial independence, the knowledge of every man that within himself, or at most within a small circle of known, equal, and mutual dependencies, exists the means of supporting life, and supplying at least its more elementary wants, is the most substantial basis of social contentment and stability.

But however desirable in itself industrial independence may be, it is incompatible with high industrial development. He who attempts the performance of many functions will perform none of them in a complete and satisfactory manner. "Jack at all trades and master of none" is the popular proverb which expresses the general appreciation of this fact. And the smaller the circle of dependencies, the greater the number of functions each member of the circle must perform, and the more unsatisfactory and incomplete will be the performance.

Hence, industrial progress necessarily involves the continued expansion of the circle of dependencies, and from this results the growing relative inequalities in society,

which constitutes one of the most serious of social problems. Without any previous understanding or concert of action, by a movement of which most of the participants in it are quite unconscious, those functions which are more complex in character are gradually relinquished by the masses, and are assumed by distinct classes. As social functions are further differentiated those classes become more numerous and more distinct, and frequently functions of the highest consequence to all come to be performed by a comparatively small class of workers. Gradually the circle of dependencies is divided into distinct industrial segments, the largest of which (if the circle is complete) is found to be occupied with the exercise of those fundamental functions which are essential to the maintenance of individual existence, not only in that particular segment, but in all other parts of the circle. Other segments of greatly diminished size are seen to discharge functions towards the whole, each of which implies an advance in the scale of civilization, with the new wants which civilization creates, and the means of satisfaction which it provides.

Considering, then, industrial society as a whole, and its dependence upon functions which have been thus differentiated and specialized, it will be observed that under complex social conditions the mutuality and equality of dependence which, under simple conditions, exist between individuals are, in respect of many important functions, transferred from individuals to the separate integral segments of the industrial circle.

Similarly, on examining the several industrial segments separately, it is manifest that in none of them does equality exist between the individuals composing it. The least inequality prevails in that segment which performs the primary functions of society, and the inequality of individuals in the different segments generally becomes greater and greater as the functions performed by those segments become more complex and farther removed from the primary functions. In point of fact a process takes place in each segment, of

separation into sub-segments more or less distinct, into which the functions of the main segment are differentiated and specialized.

The general law of supply and demand maintains a proper equilibrium between the several segments and sub-segments considered as entireties. But, as the number of individuals composing the different segments and sub-segments varies immensely—being very great in some and very small in others—it follows that the average individual in the larger segment is far more dependent on the average individual in the smaller than the latter is upon the former.

The principle which underlies and explains individual inequality in industrial society, broadly stated, is that certain functions necessary to all can be best discharged, and are in fact discharged by a few, while other functions necessary to all are in fact discharged by many. Equality of dependence exists between the few collectively on the one side and the many on the other. But consequent disparity exists between the average individual of the few and the average individual of the many. Combination among the few increases the relative dependence of the many, and can only be counteracted by combination among the many, or by something equivalent thereto. But combination among a few is easy, and combination among many is difficult. Moreover, combination of class against class implies antagonism, and itself frequently engenders still further antagonism between the classes. And antagonism between classes whose co-operation is essential to the proper discharge of any function implies a failure of that function; and apart from the merits of the controversy as between the immediate parties to it, other and vastly larger classes may suffer from the failure of the function upon whose proper discharge they have become dependent.

How to harmonize industrial progress, with a reasonable degree of security, in the masses against the arbitrary action of a few, who, in every advanced society, inevitably acquire exclusive control of industrial functions of great conse-

quence to all is, then, a problem well worthy of consideration. Before venturing any suggestion as to the direction in which a solution seems likely to be sought (and without meaning to imply that it is the right direction), it will be well to illustrate the foregoing general observations by reference to a few salient features in the industrial situation of our own country. The great and growing inequality in the distribution of the national wealth is frequently charged to our restrictive commercial policy, and to some extent the charge may be well founded. But the inequality is far more largely due to the necessary and inherent conditions of industrial progress. Indeed, some of the most conspicuous examples of monopoly and power on the one hand, and of dependence on the other, are displayed under conditions which legal restrictions have not only not favored, but have been designed to prevent.

Observe, then, in connection with what has been said, the three great divisions of industrial society in the United States—the Agricultural, the Commercial, and Manufacturing—and a few of their most distinct and conspicuous subdivisions. While agriculture, manufactures and commerce are usually referred to as constituting the principal industrial classes of a nation, including grazing under the general term “agriculture,” and mining under the general head of “manufactures,” yet there is in every civilized country a vast number of persons engaged in various occupations who can not be classed under any of the foregoing heads. In the United States census these are classified under the general head of “persons engaged in professional and personal services.” But while they exercise functions of very great social importance, and while a few of them enjoy very great social and political influence, yet the most conspicuous relations of the agricultural, commercial and manufacturing classes to each other, and the most obvious features in the internal organization of each class, may be treated without considering “persons engaged in professional and personal services.”

Agriculture is, of course, the fundamental and primary function upon the efficacy and adequate discharge of which all classes are ultimately dependent. It is the largest of the industrial segments, and has made the least progress in specialization. The 7,670,493 persons engaged in agriculture in the United States in 1880, are by the census of that year divided into only twelve classes, some of which are very insignificant; the most important being "farmers and planters," numbering 4,225,925, and "agricultural laborers," numbering 3,323,876.

Commerce, or the exchange of products, with all the agencies and instrumentalities of exchanges, is an industrial function of the highest importance, yet less essential than agriculture. It implies an advance in industrial evolution, and is more highly differentiated than agriculture. The persons engaged in commerce in the United States under the head of "trade and transportation," numbering 1,810,256, are, by the census of 1880, subdivided into seventy-one classes.

"Manufacturing, mining and mechanical industries," denoting still further industrial advancement, occupy in the United States (or did, in 1880) 3,137,812 persons, and are by the same authority subdivided into one hundred and thirty-six classes.

The tendency towards specialization, it is thus seen, has grown with industrial progress, and is strongest in the segment of most complex functions. In commerce and manufactures the specialization is often so complete that some distinct branches of industry, under one or the other of those heads, though controlled by a comparatively small number of persons, appear to constitute in themselves separate and essential industrial segments, upon which all, or very many others, are dependent. Illustrations are found in warehouse and storage facilities, under certain circumstances, in telegraphic service, in railroad transportation, in the production of "dressed meats," in the production of illuminating oil, in sugar refining, in the production of iron and steel, and in

many manufactures thereof, and to a considerable extent in the manufacture of other articles essential to the due welfare of advanced industrial society.

Recurring now for a moment to the agricultural segment, this striking fact is noticeable, that the "farmers and planters" in the country at large outnumber the "agricultural laborers;" the employer class is numerically greater than the employe class. Under these circumstances, oppressive conduct of employer towards employe must, as a general rule, be impossible, and a fair share of the average product is assured to the latter for his services. "Agricultural laborers" outnumber "farmers and planters" only in the South Atlantic and Gulf States from Maryland to Louisiana, inclusive, and in Tennessee. This, at least, was the case in 1880. Even at that time the numbers of each class were nearly balanced in several of these states, and as a considerable subdivision of landed property has taken place since then, the census just taken will probably show a reversal of majorities in some of them. In no state does the proportion of laborers to farmers reach three to one, and in the leading agricultural states of the West, the proportion is something like one to two. Hence, except where race constitutes an indestructible basis of social distinction, the farmer and his hired laborers are usually found associating on terms of equality, and the reciprocity of dependence between them is sufficiently manifest. Even where difference of race creates social distinction between the planter and his hiring it is doubtful whether it is at all more pronounced than that existing between the factory owner and the factory operative of his own race.

And whatever the occasion or the degree of social distinction between employer and employe in agricultural communities, the directness and frequency of personal contact, and the evident mutuality and equality of dependence between them, contribute in the highest degree to reciprocal goodwill.

But carrying the comparison between the employer and

employe classes into commercial industries, and selecting at once that sub-division of commerce where the numerical disparity between those classes is most conspicuous—that of railroad transportation—a situation of the utmost gravity is disclosed. Of the railroads of the United States, other than mere street railroads, a mileage of about 160,000 miles is controlled and operated by less than 600 independent companies who give employment to three-fourths of a million, or more, of persons. The employes of some of the principal railroad systems number high into the thousands, all under the same control and direction, and most of them dependent upon the action of a single man, or at most a limited number of individuals for their very daily bread.

The mutuality of dependence between a great railroad corporation and any single one of its hundreds of machinists, engineers, firemen, brakemen, switchmen, trackmen or other employes is absolutely inappreciable. The dependence is altogether one-sided.

The same is true of the relations between the proprietors of large manufacturing establishments and their employes. The average number of employes to each manufacturing establishment in the United States in 1880, was nearly eleven. It is doubtless larger at the present time, as the tendency is plainly noticeable towards concentration of labor and capital into large establishments. This average numerical relation between employers and employes in manufacturing industries is very striking when compared with the same relation in agricultural occupations. In the principal manufacturing states of New England—Massachusetts, Connecticut and Rhode Island—the ratio of employes to establishments is about 25 to 1; in some cities of other states it is nearly as high, and in Pittsburgh, notably, the great centre of iron manufacture, it is more than 33 to 1.

These figures are sufficiently suggestive of the inequality of dependence between the employer and employe classes in manufacturing industries; but they represent averages merely. It is well known that many single establishments

both in manufactures and mining, give occupation to thousands of employes each, and here the disparity between the classes is yet more aggravated and conspicuous. The discontent of a few unorganized factory operatives or miners, or their refusal to accept a reduction of wages, is a matter of supreme indifference to the employer of a thousand men, so long as the vast majority of them remain faithful and fresh applicants for work are always on hand ; but a frown of displeasure from the employer may well strike terror into any one of the thousand, to whom dismissal from service means the loss of the means of subsistence for himself and perhaps a dependent family.

It appears to be the sense of this dependence among the laboring classes, rather than the urgency of actual want, or actual exercise of oppressive conduct towards them, that has given rise to labor organizations ; for the solicitude of large employers for the welfare of their employes, and the practical manner in which it is manifested, are matters of daily observation.

It can hardly be doubted that a very large majority of the members of these associations receive in their regular occupations wages which enable them to live in a state of comfort to which the great mass of agricultural laborers, and many of the small farmers, of the country are utter strangers. Yet agricultural laborers are rarely connected with labor organizations, and apparently feel but little interest in them. Their comparative independence, however, and the liberal share of the average agricultural product which they receive, seems to more than compensate for their far greater discomforts.

In controversies between labor and capital, public sympathy in the beginning is usually on the side of the former, but the sense of power arising from organization is apt to inspire unreasonable demands ; and the coercive and retaliatory methods of labor organizations—the strike and the boycott—apart from the merits of the controversy in which they may be employed, are frequently grossly tyrannical in

their character, result often in serious public inconvenience, and have seldom accomplished the object of their originators. Such antagonisms can not but be fraught with the most dangerous tendencies to social tranquillity and safety.

The loss from them resulting to both sides and often to innocent third parties is usually very great. Due co-operation between the railway companies and their employes, for example, is essential to the commercial interests of the country, which are dependent upon railroad transportation. The idleness of multitudes of laborers and of a vast capital, consequent upon an extensive strike of railroad employes, implies an enormous loss to both the labor and capital directly involved, but the consequent paralysis of the function of transportation entails still further loss upon a multitude of persons who can in no way be held responsible for the controversy and who are entitled to protection against its incidental results.

These brief illustrations suffice to show the serious and general evils that may result from glaring class distinctions *within* the several industrial segments of society. Observe, now, the inequalities existing between members of different industrial segments. The farmer, occupied with the primary functions of civilized society, claims first attention. His, of all the industrial occupations, is the one most nearly capable of maintaining existence without extraneous aid. Yet agriculture, even in its widest forms, is to some extent dependent on other occupations, and for the development of its highest capacities and greatest productive powers its dependence upon other occupations is simply incalculable. Improved farm machinery is an essential factor in the agricultural product of the country, and the adequate distribution of the surplus is no less important. Many, it is true, are engaged in tillage on a small scale, who use but few and simple implements, yet their product is usually no more than sufficient for their own incomplete and stinted subsistence. Those who aspire to a share of the comforts and enjoyments which modern progress has made possible must do

so at the cost of a proportionate part of their natural independence.

But see how unequal are the relative situations of the average farmer, on the one hand, and on the other, of those in commercial and manufacturing industries on whom he is dependent. Railroad facilities for example, are indispensable in the transportation of his surplus product. Usually he has no choice of routes or of markets, and not the slightest voice in fixing the price he must pay for the service. He is but one of many thousand patrons of the carrier, while the latter has practically complete control of the means by which he may market his produce. His indignation and his protests against apparent injustice count for nothing ; his ruin even is a matter of indifference, so long as the carriers' revenues are maintained from other sources. Mutuality of dependence between the average farmer and the railroad company is inappreciable, for while the latter performs exclusively the essential function of transportation, the former is but one of many thousands who perform the reciprocal function of supplying commodities for carriage.

Another operation is frequently essential in the distribution of agricultural products ; that is their aggregation in large quantities and reassortment according to quality. This requires facilities on a large scale, usually of an exclusive character, and concentrated in a very few hands. The grain elevators of Chicago and other large cities furnish examples. Nothing is more natural or easier, in the absence of legal restrictions, than for the proprietors of these establishments to combine and prescribe prices and regulations for the storage of grain, regardless of the views of those to whom their service is indispensable. There is no reciprocity of dependence between the proprietor on one side and the individual patron on the other.

The manufacture of those implements of husbandry so necessary to the achievement of the best results in agriculture, such, for example, as mowers, reapers, and other harvesting machines, is also usually confined to a few extensive

establishments. This is partly due to the fact that they are generally patented inventions, in the manufacture and sale of which the patentees have a legal monopoly. But there is a more fundamental economic reason which underlies the tendency towards concentration and monopoly in manufacturing industries. This is the diminished cost of production in proportion to capital invested. When the operation of this principle has gradually centered in a few great establishments the control of any important branch of manufacture or commerce, the facility of combination among them, and the danger of injury likely to follow upon independent and competitive action, are very apt to result in a mutually protective alliance between them, more or less complete and effective.

Such alliances, whether or not they necessarily involve (as the popular belief is) the practice of extortion upon a helpless public, do certainly constitute in themselves a real and a serious social danger, because they strikingly manifest the great inequality of dependence, between the few who are thus combined on the one side and the unorganized masses of the common people on the other. The feeling of dependence, when evidently not reciprocated, is a powerful element of social discontent. The organization of the "Farmers' Alliance" is largely based on these considerations.

But jealousy of these combinations and apprehension of danger from them is by no means confined to the agricultural classes. Witness the general indignation aroused by the disclosure of the "Sugar Refiners' Trust" a few years ago. Apparently the sugar trust operated to enhance the price of the product controlled by it, and thus afforded a more tangible basis of denunciation than sometimes exists in these cases. For in some cases, at least, it must be confessed that the monopoly of services and products has been followed by a constant improvement in quality and a steady lowering of prices to the public. This has been the case with illuminating oil in the hands of the Standard Oil Co.,

whose control over that and kindred products is nearly exclusive, and which is generally recognized as one of the most conspicuous examples of commercial monopoly. The progress of this gigantic organization towards its present position of supremacy involved the ruthless slaughter of all competitors. The various independent refining establishments which finally succumbed to the Standard were, however, comparatively few in number, and those engaged in the struggle for their continued existence lacked the numerical strength to impress their grievances very forcibly upon the public mind.

The production of "dressed meats" depends for success upon an immense and concentrated capital, and under these conditions the business is in fact conducted. It is in the hands of a very limited number of individuals, and there is no doubt that, with the processes and facilities at their command, they can supply fresh meat to consumers cheaper than it can be supplied under the usual methods of production. Their establishments are confined to a few central points accessible to the principal cattle-raising districts, and enjoying ample facilities for the speedy and safe transportation of their product to the markets of the country far and near. The manifest tendency of the situation is towards a monopoly of the function of converting the raw material into the finished food product. The original producers and the ultimate consumers can only meet through the medium of this exclusive intermediary, controlling the sole avenue of access between them. The situation of producers and consumers is like the upper and lower bulbs of an hour-glass, and the dressed meat monopoly represents the narrow neck through which the sand must pass in its progress between the bulbs. The slightest obstruction in this narrow passage means excess on one side of it and deficiency on the other. Dropping the simile, it is evident that the dressed meat producers have dangerous powers, on the one hand to depress the price of the live cattle which they buy, and on the other to raise the price of the finished food product which they sell.

Such a state of things, which reduces vast numbers to a condition of dependence on a very few, cannot fail to excite apprehension and discontent.

Popular denunciation of "monopolies" and the vague but irrepressible dread with which the masses regard the enterprises of associated wealth, are often met and sought to be allayed by the assertion, which statistics frequently sustain, that every step towards industrial centralization has resulted in cheapening to the public the product or the service which is the subject of the monopoly.

That this is in some cases true is beyond question; yet it is but half the truth. The other half consists in the fact that the cost of production to the producer, and the cost of service to him who renders it, are by virtue of the monopoly enjoyed by them, cheapened in far greater ratio than are the prices of the products or the services to those who purchase or employ them. Hence, while the actual condition of all classes may be improved, their relative condition becomes far more unequal. And it is a fact never to be lost sight of, that the conception of the terms "good" and "bad" as applied to social conditions, is always relative, never absolute. It may well admit of question, whether the gross inequality of different industrial classes, resulting from highly differentiated industrial conditions, does not often outweigh as a social evil the general benefits conferred by the existence of those conditions.

Competition may be no less essential as a principle of limitation upon private fortunes than as a safeguard against extortion. The actual prices of the product of a monopolized industry may be less than those prevailing where the same industry is carried on under competitive conditions. Yet these conditions tend strongly to prevent the amassment in a few hands of vast proportions of the entire wealth of the community, and the creation of glaring and dangerous inequalities between its component members.

There are, however, certain functions of the highest public consequence, which can be so much better performed

under exclusive than under competitive conditions, that the latter, if they ever prevail at all, are soon eliminated, and monopoly holds full sway. In some instances the government has itself assumed or been intrusted with the discharge of this class of functions, and private parties are strictly excluded from participating in them. The mail service of the country is in point. If left to private enterprise and competition, doubtless the price of the service would be much less in densely populated commercial communities than even it is now, but in sparsely settled regions the price would be practically prohibitory of communication by mail. Under government monopoly all sections are equalized. The principle of the service is to this extent communistic, but its general results are admirable. The building of highways for transportation has always been regarded as a public function, though in the matter of railroad building in the United States, the function is usually delegated by the states to corporations.

It is, however, a well-known fact that the original conception of the railroad was (by analogy to the turnpike) that of a highway open for the use of all carriers upon equal terms. That every railroad company has now become practically the exclusive carrier over its own line is due perhaps more to economic than to physical causes. The bulk of the traffic is unquestionably carried cheaper under exclusive, than it would be under competitive conditions.

Of course, where private monopoly of any industrial function prevails, its object will be to extract from the public the largest possible net gains for its products or services. This does not necessarily mean that the highest possible prices are charged. High prices very often defeat their object and diminish profits by driving off patronage. Still the cost to the public is apt to be more than is necessary to secure to the owners of the monopoly a reasonable net return upon capital invested. Under these circumstances, there is a growing disposition in the public to assume to itself (by delegation to government) some functions which, for their

proper discharge, must necessarily be of an exclusive nature.

This disposition is most often manifested in municipal ownership of water works and gas or electric plants for the supply of the city with water and light. The success of governmental discharge of a few industrial functions has suggested to many the still further extension of the government's sphere of industrial action. A large and increasing number of conservative persons who would indignantly resent the imputation to themselves of a spirit of socialism, are convinced of the necessity—not of absolute public control, perhaps—but of stringent public regulation of many industries. And it is in this direction that the solution of the problem of industrial monopoly seems likely to be attempted. The limits of this article forbid any explanation of the methods of public regulation of industries or any reference to the attempts toward public intervention between employers and employes which have been, or are likely to be, made.

In conclusion, it may be said that the further extension of the principle of governmental regulation of private business in the United States, where practically unlimited manhood suffrage prevails, will in all probability be attended with serious dangers and evils ; but that it will be resorted to as an attempted remedy for the existing evils of private monopoly is hardly to be doubted.

W. D. DABNEY.

Washington, D. C.